

**FILLMORE UNIFIED SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2008**

DATE RECEIVED:



AUDIT REVIEW #(s) 05082

Assigned To: Ryan

Date Reviewed: 7/31/09

Reviewer's Initials: JK

Date Review(s) Completed: 7/31/09



**FILLMORE UNIFIED SCHOOL DISTRICT  
OF VENTURA COUNTY  
FILLMORE, CALIFORNIA  
JUNE 30, 2008**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
David Dollar	President	December 2010
John Garnica	Vice President	December 2008
Liz Wilde	Clerk	December 2010
Virginia de la Piedra	Member	December 2008
Tony Prado	Member	December 2010

**ADMINISTRATION**

Jeffrey Sweeney	Superintendent
Katherine Hadley	Assistant Superintendent, Educational Services
Evalene Townend	Assistant Superintendent, Human Resources/Student Support
Michael Bush	Assistant Superintendent, Business Services





# FILLMORE UNIFIED SCHOOL DISTRICT

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Fillmore Unified School District  
Fillmore, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fillmore Unified School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fillmore Unified School District, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 10 and budgetary comparison information on page 44, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds and General Fund Selected Financial Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 1, 2008



# Fillmore Unified School District

627 Sespe Avenue • Fillmore, CA 93015

Phone (805) 524- 6034 • Fax (805) 524-6060

This discussion and analysis of Fillmore Unified School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. The following discussion is intended to be read in conjunction with the District's financial statements, which immediately follow.

## FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net assets of governmental activities decreased by \$1.9 million, primarily due to planned spending of prior year ending fund balance. Capital assets increased by \$3.8 million due to investments in buildings and facilities.
- General Fund expenses were \$33.9 million, while revenues were \$33.2 million, yielding a \$700,000 decrease in fund balances. (See Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds).
- The District spent almost \$3.9 million in new capital assets during the year. These expenditures were incurred primarily from building funds.
- Grades K-12 average daily enrollment increased by 60 students from prior year, or 1.6 percent.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
  - The *governmental funds* statements tell how basic services like general education and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*. Currently, the District does not operate any proprietary funds.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

# FILLMORE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### *District-wide Statements*

The two District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities need to be considered.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as general and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term obligations) or to show that it is properly using certain revenues (like Federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- *Proprietary funds* – Fillmore Unified School District currently does not operate any proprietary funds; consequently none are reflected on the financial statements. When the school districts charge other funds for the services they provide, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and *Statement of Activities*.



# FILLMORE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. The District excludes these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Statement of Net Assets

The *Statement of Net Assets* presents the assets and liabilities of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The *Statement of Net Assets* is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The *Statement of Net Assets* presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities).

From the data presented, readers of the *Statement of Net Assets* are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District to vendors and employees. Finally, the *Statement of Net Assets* provides a picture of the net assets and the availability of those assets for expenditure.

The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District, and the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation.

The Net Assets are presented in two major categories. The first category provides the information in regards to equity in property, plant, and equipment owned by the District. The second category provides information on unrestricted net assets that are available for obligations as may be approved by the governing board.

The District's combined net assets were in excess of \$41.1 million on June 30, 2008. All District net assets are the result of governmental activities. (See Table A-1.)

# FILLMORE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Table A-1

	Governmental Activities		Total	Total %
	<u>2007</u>	<u>2008</u>	<u>Change</u>	<u>Change</u>
Non-Capital Assets	\$ 19,228,866	\$ 16,055,137	\$ (3,173,729)	-16.51%
Capital Assets	51,981,164	55,850,596	3,869,432	7.44%
Total Assets	71,210,030	71,905,733	695,703	0.98%
Current Liabilities	3,985,355	7,094,719	3,109,364	78.02%
Long-Term Obligations	24,222,143	23,698,732	(523,411)	-2.16%
Total Liabilities	28,207,498	30,793,451	3,799,743	13.47%
Invested in Capital Assets Net of Related Debt	33,626,273	35,856,489	2,230,216	6.63%
Net Assets Legally Restricted	7,105,772	3,422,546	(3,683,226)	-51.83%
Net Assets Unrestricted	2,270,487	1,833,217	(437,240)	-19.26%
Total Net Assets	\$ 43,002,532	\$ 41,112,282	\$ (1,890,250)	-4.40%

In 2008, total assets were \$71.9 million, 78 percent (\$55.9 million) in capital assets and 22 percent (\$16 million) in non-capital assets. Total liabilities were \$30.8 million, 23 percent (\$7.1 million) current and 77 percent (\$23.7 million) long-term. Of the District's \$41.1 million of combined net assets, 87 percent (\$35.9 million) were capital assets net of related debt, 18 percent (\$3.4 million) were net assets legally restricted, and four percent (\$1.8 million) were net assets unrestricted.

**Changes in net assets, governmental activities.** The District's total revenues were in excess of \$37.2 million (See Table A-2). Our General revenues, comprised of property taxes and State aid, accounted for most of the District's revenue, contributing about 73 cents of every dollar raised. Another 27 cents of every dollar came from categorical programs.

The total cost of all programs and services was \$39.1 million. The District's expenses were predominantly related to instruction and student services at 76 percent. The purely administrative activities of the District accounted for just six percent of total costs. Total expenses exceeded total revenues, decreasing net assets by \$1.9 million.

# FILLMORE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Table A-2

	Governmental Activities	
	<u>2007</u>	<u>2008</u>
Program Revenues	\$ 9,988,454	\$ 10,142,116
General Revenues	26,895,201	27,105,302
Total Revenues	36,883,655	37,247,418
Expenses for Instruction and Related Services	23,261,283	25,902,049
Pupil Services	3,183,737	3,895,033
General Administration	2,107,914	2,392,678
Plant Services	3,469,636	4,694,273
Facility Acquisition and Construction	66,258	-
Ancillary and Community Activities	272,187	251,326
Debt Service	1,433,514	1,375,464
Other Outgoing	452,324	626,845
Total Expenses	34,246,853	39,137,668
Change in Net Assets	2,636,802	(1,890,250)
Net Assets, Beginning	40,365,730	43,002,532
Net Assets, Ending	\$ 43,002,532	\$ 41,112,282

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. At year-end, the District's governmental funds reflected a combined fund balance of \$9.8 million. In 2007-08, the District's General Fund expenses exceeded revenues by \$0.7 million, comprised primarily of planned spending of prior year restricted balances.

# FILLMORE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

By the end of 2007-08, the District had invested \$5,880,788 in new buildings and improvements, with the completion of Mountain Vista Elementary School. Additionally, the District finished modernization projects at Fillmore High School. Track and field stadium improvements were started at the high school with work expected to conclude in 2008-09. The District also invested \$112,533 in new equipment. This investment in new capital assets was offset by \$2,123,889 in total depreciation; netting an overall increase in District capital assets of \$3,869,432. (More detailed information about capital assets can be cited in Note 4 to the financial statements.)

Table A-3

Capital Assets at Year-End, net of depreciation	Governmental Activities	
	<u>2007</u>	<u>2008</u>
Land	\$ 3,430,099	\$ 3,430,099
Construction in progress	3,902,480	2,157,300
Buildings and land improvements	43,877,939	49,511,755
Machinery and equipment	770,646	751,442
<b>Total</b>	<b>\$ 51,981,164</b>	<b>\$ 55,850,596</b>

#### Long-Term Obligations

At year-end, the District had in excess of \$24.6 million in general obligation bonds, capital leases and employment benefits as shown in Table A-4. (More detailed information about the District's long-term obligations is presented in Note 8 in the financial statements.)

Table A-4

Outstanding Long-Term Obligations at Year-End	Total School District	
	<u>2007</u>	<u>2008</u>
General obligation bonds	\$ 24,496,674	\$ 24,359,219
Capital leases	135,294	82,526
Retirement and vacation benefits	182,943	237,706
<b>Total</b>	<b>\$ 24,814,911</b>	<b>\$ 24,679,451</b>

## **FILLMORE UNIFIED SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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#### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

Although the District is financially stable, its financial condition is highly dependent upon the economic condition of the State of California. At the time these financial statements were prepared and audited, the District was aware of five existing conditions that could significantly affect its financial picture in the future.

- The State of California continues to project future budget deficits that will have a negative impact on school district budgets throughout the State.
- The rising cost of insurance continues to be a major concern for the District.
- The current economic climate and housing slow down may negatively impact enrollment.
- Griffin Industries has begun construction of a 700 home development. However, the slow down in the real estate market will mean a significantly slower build out.
- High real estate costs within Ventura County will place financial pressure for land acquisition and employee compensation.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (805) 524-6018.

# FILLMORE UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2008

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 7,624,062
Receivables	5,588,931
Due from other funds	2,327,649
Stores inventories	53,871
Deferred cost on issuance	460,624
Capital assets	
Land and construction in progress	5,587,399
Other capital assets	68,484,426
Less: Accumulated depreciation	(18,221,229)
Capital assets, net of accumulated depreciation	55,850,596
<b>Total Assets</b>	<b>71,905,733</b>
<b>LIABILITIES</b>	
Accounts payable	3,297,046
Interest payable	313,842
Due to other funds	2,327,649
Deferred revenue	175,463
Current portion of long-term obligations	1,080,719
Noncurrent portion of long-term obligations	23,598,732
<b>Total Liabilities</b>	<b>30,793,451</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	35,856,489
Restricted for:	
Debt service	1,306,075
Capital projects	646,605
Educational programs	1,347,497
Other activities	122,369
Unrestricted	1,833,247
<b>Total Net Assets</b>	<b>\$ 41,112,282</b>

The accompanying notes are an integral part of these financial statements.

# FILLMORE UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 22,069,204	\$ 19,045	\$ 4,692,007	\$ 94,795	\$ (17,263,357)
Instruction-related activities:					
Supervision of instruction	1,207,843	22,851	1,624,037	-	439,045
Instructional library, media and technology	321,118	-	42,718	-	(278,400)
School site administration	2,303,884	-	26,680	-	(2,277,204)
Pupil services:					
Home-to-school transportation	539,270	-	365,476	-	(173,794)
Food services	1,836,711	241,575	1,245,764	-	(349,372)
All other pupil services	1,519,052	-	381,850	-	(1,137,202)
General administration:					
Data processing	452,533	-	-	-	(452,533)
All other general administration	1,940,145	-	281,049	-	(1,659,096)
Plant services	4,694,273	12	228,145	-	(4,466,116)
Ancillary services	218,814	-	-	-	(218,814)
Community services	32,512	4,118	5,564	-	(22,830)
Interest on long-term obligations	1,375,464	-	-	-	(1,375,464)
Other outgo	626,845	-	866,430	-	239,585
<b>Total Governmental Activities</b>	<b>\$ 39,137,668</b>	<b>\$ 287,601</b>	<b>\$ 9,759,720</b>	<b>\$ 94,795</b>	<b>(28,995,552)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					3,210,743
Property taxes, levied for debt service					1,733,991
Taxes levied for other specific purposes					94,267
Federal and State aid not restricted to specific purposes					19,632,749
Interest and investment earnings					478,707
Interagency revenues					20,497
Miscellaneous					1,934,348
<b>Subtotal, General Revenues</b>					<b>27,105,302</b>
<b>Change in Net Assets</b>					<b>(1,890,250)</b>
Net Assets - Beginning					43,002,532
Net Assets - Ending					<b>\$ 41,112,282</b>

The accompanying notes are an integral part of these financial statements.

# FILLMORE UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General Fund	Building Fund
<b>ASSETS</b>		
Deposits and investments	\$ 6,422	\$ 3,987,014
Receivables	5,232,793	54,152
Due from other funds	551,110	1,263,433
Stores inventories	31,569	-
<b>Total Assets</b>	<b>\$ 5,821,894</b>	<b>\$ 5,304,599</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 1,313,926	\$ 1,783,720
Due to other funds	937,179	1,732
Deferred revenue	175,463	-
<b>Total Liabilities</b>	<b>2,426,568</b>	<b>1,785,452</b>
<b>FUND BALANCES</b>		
Reserved for:		
Revolving cash	2,000	-
Stores inventories	31,569	-
Legally restricted balances	1,347,497	-
Unreserved:		
Designated	2,014,260	-
Undesignated, reported in:		
Debt service funds	-	-
Capital projects funds	-	3,519,147
<b>Total Fund Balance</b>	<b>3,395,326</b>	<b>3,519,147</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,821,894</b>	<b>\$ 5,304,599</b>

The accompanying notes are an integral part of these financial statements.



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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,599,957	\$ 2,030,669	\$ 7,624,062
19,960	282,026	5,588,931
-	513,106	2,327,649
-	22,302	53,871
<u>\$ 1,619,917</u>	<u>\$ 2,848,103</u>	<u>\$ 15,594,513</u>
\$ -	\$ 199,400	\$ 3,297,046
-	1,388,738	2,327,649
-	-	175,463
<u>-</u>	<u>1,588,138</u>	<u>5,800,158</u>
-	822	2,822
-	22,302	53,871
-	-	1,347,497
-	122,369	2,136,629
1,619,917	-	1,619,917
-	1,114,472	4,633,619
<u>1,619,917</u>	<u>1,259,965</u>	<u>9,794,355</u>
<u>\$ 1,619,917</u>	<u>\$ 2,848,103</u>	<u>\$ 15,594,513</u>

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# FILLMORE UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

Total Fund Balance - Governmental Funds		\$ 9,794,355
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 74,071,825	
Accumulated depreciation is:	(18,221,229)	
Net Capital Assets		55,850,596
Expenditures relating to issuance of debt in a prior fiscal year are recognized in the modified accrual basis, but should not be recognized in the accrual basis government-wide financial statements.		460,624
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(313,842)
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	24,163,952	
Unamortized premium on general obligation bonds	314,348	
Unamortized discount on general obligation bonds	(119,081)	
Capital lease obligations	82,526	
Compensated absences	237,706	
Total Long-Term Obligations		(24,679,451)
Total Net Assets - Governmental Activities		<u>\$ 41,112,282</u>

The accompanying notes are an integral part of these financial statements.

# FILLMORE UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Building Fund
<b>REVENUES</b>		
Revenue limit sources	\$ 20,946,037	\$ -
Federal sources	2,712,346	-
Other State sources	6,685,650	-
Other local sources	2,819,970	209,401
<b>Total Revenues</b>	<b>33,164,003</b>	<b>209,401</b>
<b>EXPENDITURES</b>		
Current		
Instruction	20,183,985	-
Instruction-related activities:		
Supervision of instruction	1,205,633	-
Instructional library, media and technology	319,369	-
School site administration	2,276,865	-
Pupil services:		
Home-to-school transportation	526,057	-
Food services	-	-
All other pupil services	1,473,436	-
General administration:		
Data processing	525,660	-
All other general administration	1,912,366	-
Plant services	3,691,254	-
Facility acquisition and construction	121,129	4,197,803
Ancillary services	218,469	-
Community services	32,253	-
Debt service		
Principal	18,440	-
Interest and other	789	-
<b>Total Expenditures</b>	<b>32,505,705</b>	<b>4,197,803</b>
<b>Excess (Deficiency) of Revenues</b>		
<b>Over Expenditures</b>	<b>658,298</b>	<b>(3,988,402)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	-	1,230,472
Transfers out	(738,554)	-
Other uses	(626,845)	-
<b>Net Financing Sources (Uses)</b>	<b>(1,365,399)</b>	<b>1,230,472</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(707,101)</b>	<b>(2,757,930)</b>
<b>Fund Balance - Beginning</b>	<b>4,102,427</b>	<b>6,277,077</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,395,326</b>	<b>\$ 3,519,147</b>

The accompanying notes are an integral part of these financial statements.

<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 20,946,037
308	1,218,874	3,931,528
13,342	250,147	6,949,139
1,771,238	620,105	5,420,714
1,784,888	2,089,126	37,247,418
-	-	20,183,985
-	-	1,205,633
-	-	319,369
-	-	2,276,865
-	-	526,057
-	1,725,234	1,725,234
-	-	1,473,436
-	-	525,660
-	-	1,912,366
-	967,070	4,658,324
-	1,573,445	5,892,377
-	-	218,469
-	-	32,253
540,000	35,568	594,008
1,157,120	5,954	1,163,863
1,697,120	4,307,271	42,707,899
87,768	(2,218,145)	(5,460,481)
-	157,136	1,387,608
-	(649,054)	(1,387,608)
-	-	(626,845)
-	(491,918)	(626,845)
87,768	(2,710,063)	(6,087,326)
1,532,149	3,970,028	15,881,681
\$ 1,619,917	\$ 1,259,965	\$ 9,794,355

# FILLMORE UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (6,087,326)**  
**Amounts Reported for Governmental Activities in the Statement**  
**of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital asset expenditures exceeds depreciation in the period.

Capital outlays	\$ 5,993,321	
Depreciation expense	<u>(2,123,889)</u>	
Net Expense Adjustment		3,869,432

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which vacation earned was more than the amounts used. (54,763)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities:

General obligation bonds	540,000	
Capital lease obligations	<u>52,768</u>	592,768

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	14,289	
Amortization of debt discount	(4,837)	
Amortization of cost of issuance	<u>(21,988)</u>	
Combined Adjustment		(12,536)

The accompanying notes are an integral part of these financial statements.

## FILLMORE UNIFIED SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2008

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Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the government-wide financial statements, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$214,172, and second, \$411,997 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

\$ (197,825)

**Change in Net Assets of Governmental Activities**

\$ (1,890,250)

The accompanying notes are an integral part of these financial statements.

FILLMORE UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 382,120
Stores inventories	<u>1,130</u>
<b>Total Assets</b>	<u><u>\$ 383,250</u></u>
<b>LIABILITIES</b>	
Due to student groups	\$ 383,250
<b>Total Liabilities</b>	<u><u>\$ 383,250</u></u>

The accompanying notes are an integral part of these financial statements.



# **FILLMORE UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The Fillmore Unified School District (the "District") was formed effective July 1967 as a consolidation of the Fillmore Union School District, originally founded in 1890, and the Fillmore Union High School District, originally founded in 1909. Also included in the consolidation were the school districts of Bardsdale, founded in 1888, Buckhorn, founded in 1890, and Piru, also founded in 1890. The District, comprising an area of approximately 572 square miles, covers the northeastern section of Ventura County to the borders of Los Angeles and Kern Counties. On March 19, 2002, the District's governing board passed a resolution to transfer territory for the District to the El Tejon Unified School District, effective July 1, 2004. The District is currently operating four elementary schools, one middle school, one comprehensive high school, and a continuation high school. The District operates under a locally-elected five-member governing board.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Fillmore Unified School District, this includes general operations, food service, and student related activities of the District.

#### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

#### **Other Related Entities**

**Joint Powers Agencies and Public Entity Risk Pools** The District is associated with one joint powers agency and two public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Ventura County Fast Action School Transit Authority (VCFAST)
- Ventura County Schools Self-Funding Authority (VCSSFA)
- Coastal Schools Employee Benefits Organization (CSEBO)

#### **Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Capital Project Funds** The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has no proprietary funds.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for associated student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

Investments held at June 30, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund represent investments required by grantor agencies to be set aside by the District for the purpose of satisfying certain requirements of the grants.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental-type funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.



# **FILLMORE UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the statement of net assets.

### **Compensated Absences**

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, accumulated vacation, and capital leases are recognized as liabilities in the governmental fund financial statements when due.

# **FILLMORE UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

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### **Deferred Issuance Costs, Premiums and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and any unspent funds in the Building and County School Facilities funds, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$3,422,546 of restricted net assets.

### **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the statement of activities.

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Ventura bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### New Accounting Pronouncements

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.



# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 7,624,062
Fiduciary funds	382,120
Total Deposits and Investments	<u>\$ 8,006,182</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 382,220
Cash in revolving	2,822
Investments	7,621,140
Total Deposits and Investments	<u>\$ 8,006,182</u>

#### Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

### Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Maturity Date
Ventura County Investment Pool	\$ 7,554,273	248 days*

\* Weighted average days to maturity

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the county pool is not required to be rated, nor has it been rated as of June 30, 2008.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District's bank balances totaled \$386,770; of that amount \$286,770 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government					
Categorical aid	\$ 1,181,300	\$ -	\$ -	\$ 214,440	\$ 1,395,740
State Government					
Apportionment	1,284,767	-	-	-	1,284,767
Categorical aid	1,065,354	-	-	18,875	1,084,229
Lottery	248,387	-	-	-	248,387
Local Government					
Interest	43,989	54,152	19,960	48,286	166,387
Other Local Sources	1,408,996	-	-	425	1,409,421
Total	<u>\$ 5,232,793</u>	<u>\$ 54,152</u>	<u>\$ 19,960</u>	<u>\$ 282,026</u>	<u>\$ 5,588,931</u>

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 3,430,099	\$ -	\$ -	\$ 3,430,099
Construction in process	3,902,480	5,641,696	7,386,876	2,157,300
Total Capital Assets				
Not Being Depreciated	7,332,579	5,641,696	7,386,876	5,587,399
Capital Assets Being Depreciated				
Land improvements	4,746,212	97,959	-	4,844,171
Buildings and improvements	53,821,771	7,528,009	-	61,349,780
Furniture and equipment	2,177,942	112,533	-	2,290,475
Total Capital Assets				
Being Depreciated	60,745,925	7,738,501	-	68,484,426
Less Accumulated Depreciation				
Land improvements	2,759,013	204,939	-	2,963,952
Buildings and improvements	11,931,031	1,787,213	-	13,718,244
Furniture and equipment	1,407,296	131,737	-	1,539,033
Total Accumulated				
Depreciation	16,097,340	2,123,889	-	18,221,229
Governmental Activities				
Capital Assets, Net	<u>\$ 51,981,164</u>	<u>\$ 11,256,308</u>	<u>\$ 7,386,876</u>	<u>\$ 55,850,596</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 1,890,261
School site administration	21,239
Home-to-school transportation	21,239
Food services	106,194
All other pupil services	42,478
All other general administration	21,239
Plant services	21,239
Total Depreciation Expenses Governmental Activities	<u>\$ 2,123,889</u>

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE 5 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds and fiduciary funds are as follows:

Due To	Due From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,732	\$ 549,378	\$ 551,110
Building Fund	596,287	-	667,146	1,263,433
Non-Major Governmental Funds	340,892	-	172,214	513,106
Total	<u>\$ 937,179</u>	<u>\$ 1,732</u>	<u>\$ 1,388,738</u>	<u>\$ 2,327,649</u>

The balance of \$581,418 due to the Building Fund from the General Fund resulted from the transfer of Emergency Repair Project - William Case monies for the reimbursement of construction costs.

The balance of \$340,696 due to the Deferred Maintenance (Non-Major Governmental) Fund from the General Fund resulted from a loan to the General Fund.

The balance of \$343,558 due to the General Fund from the Cafeteria Fund resulted from a loan from the General Fund.

The balance of \$275,000 due to the Building Fund from the Capital Facilities (Non-Major Governmental) Fund resulted from the transfer of RDA monies for reimbursement of construction costs related to high school track and field improvement project.

The balance of \$354,385 due to the Building Fund from the County School Facilities (Non-Major Governmental) Fund resulted from a reimbursement of construction costs for high school football field renovation.

The balance of \$172,214 due to the County School Facilities (Non-Major Governmental) Fund from the Deferred Maintenance (Non-Major Governmental) Fund resulted from a reimbursement of construction costs for high school bathroom renovation project.

The remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
Building Fund	\$ 581,418	\$ 649,054	\$ 1,230,472
Non-Major Governmental Funds	157,136	-	157,136
Total	<u>\$ 738,554</u>	<u>\$ 649,054</u>	<u>\$ 1,387,608</u>

The General Fund transferred to the Building Fund for construction costs.	\$ 581,418
The General Fund transferred to the Deferred Maintenance Fund for the required District match.	157,136
The Capital Facilities (Non-Major Governmental) Fund transferred to the Building Fund for construction costs.	275,000
The County School Facilities (Non-Major Governmental) Fund transferred to the Building Fund for construction costs.	374,054
Total	<u>\$ 1,387,608</u>

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
State apportionment	\$ 49,774	\$ -	\$ -	\$ 49,774
Salaries and benefits	272,187	-	5,510	277,697
Materials and supplies	218,977	-	-	218,977
Services	381,512	-	47,449	428,961
Construction	69,508	1,752,528	146,441	1,968,477
Other	321,968	31,192	-	353,160
Total	<u>\$ 1,313,926</u>	<u>\$ 1,783,720</u>	<u>\$ 199,400</u>	<u>\$ 3,297,046</u>



# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund
Federal financial assistance	\$ 26,367
State categorical aid	49,655
Other local	99,441
Total	<u>\$ 175,463</u>

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General Obligation Bonds	\$ 24,291,955	\$ 411,997	\$ 540,000	\$ 24,163,952	\$1,040,000
Bond premium	328,637	-	14,289	314,348	-
Bond discount	(123,918)	-	(4,837)	(119,081)	-
Capital leases	135,294	-	52,768	82,526	40,719
Compensated absences	182,943	54,763	-	237,706	-
	<u>\$ 24,814,911</u>	<u>\$ 466,760</u>	<u>\$ 602,220</u>	<u>\$ 24,679,451</u>	<u>\$1,080,719</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The general obligation bond premium, discount, and deferred charge will be amortized in the government-wide financial statements. Payments on the capital leases will be paid by the General Fund and the Capital Facilities Fund. The compensated absences will be paid by the fund for which the employee worked.



# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Redeemed	Bonds Outstanding June 30, 2008
				Outstanding July 1, 2007	Interest Accretion		
November 4, 1996	6/1/2009	4.6-5.8	\$ 3,720,000	\$ 735,000	\$ -	\$ 355,000	\$ 380,000
July 2, 1997	7/1/2018	4.0-6.2	1,999,948	6,746,482	380,486	-	7,126,968
September 21, 2004	7/1/2022	2.5-4.125	6,975,000	6,810,000	-	50,000	6,760,000
April 7, 2005	8/1/2029	3.25-5.42	5,419,864	10,000,473	31,511	135,000	9,896,984
				<u>\$24,291,955</u>	<u>\$ 411,997</u>	<u>\$ 540,000</u>	<u>\$ 24,163,952</u>

### 1996 General Obligation Refunding Bonds

On November 4, 1996, the District issued the 1996 General Obligation Refunding Bonds in the amount of \$3,720,000 in order to refinance general obligation bonds previously issued to raise money to repair and construct school facilities. The bonds have a maturity date of June 1, 2009, with interest rates varying from 4.6 to 5.8 percent. At June 30, 2008, 1996 General Obligation Refunding Bonds totaling \$380,000 were still outstanding.

### 1997 General Obligation Bonds, Series A

On July 2, 1997, the District issued the current interest and capital appreciation 1997 General Obligation Bonds, Series A. The bonds were issued in the amount of \$1,999,948, with capital accretion to \$10,040,000. The bonds have a maturity date of July 1, 2018, with interest rates varying from 4.0 to 6.2 percent. Proceeds from the sale of the bonds were used to finance the cost of acquisition or improvement of real property, including the construction and equipping of certain school facilities and improvements within and for the District. At June 30, 2008, 1997 General Obligation Bonds, Series A, totaling \$7,196,968 were still outstanding.

### 2004 Refunding General Obligation Bonds

On September 21, 2004, the District issued \$6,975,000 of 2004 Refunding General Obligation Bonds. The bonds were issued at a discount of \$144,153, with costs of issuance of \$177,072. The bonds have a maturity date of July 1, 2022, with interest rates varying from 2.5 to 4.125 percent. Proceeds from the sale of the bonds were used to finance the repair, construction, and upgrading of school sites and facilities and the acquisition of land within the District. Unamortized discount on issuance as of June 30, 2008, was \$119,081, and the unamortized costs of issuance were \$146,276. As of June 30, 2008, 2004 Refunding General Obligation Bonds totaling \$6,760,000 were still outstanding.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### 2004 General Obligation Bonds, Series A

On April 7, 2005, the District issued \$5,419,864 of current interest and capital appreciation 2004 General Obligation Bonds, Series A. The bonds were issued at a premium of \$371,504, with costs of issuance of \$371,504. The bonds have a maturity date of August 1, 2029, with interest rates varying from 3.25 to 5.42 percent. Proceeds from the sale of the bonds will be used to finance the repair, construction, and upgrading of school sites and facilities and the acquisition of land within the District. Unamortized premium on issuance as of June 30, 2008, was \$314,348, and the unamortized costs of issuance were also \$314,348. As of June 30, 2008, 2004 General Obligation Bonds, Series A, totaling \$9,896,984 were still outstanding.

### Debt Service Requirements to Maturity

The bonds mature through 2030 as follows

Fiscal Year	Principal	Interest to Maturity	Principal Accretion	Total
2009	\$ 1,037,466	\$ 708,498	\$ 433,028	\$ 2,178,992
2010	697,267	676,670	441,964	1,815,901
2011	1,060,882	668,094	429,092	2,158,068
2012	1,072,027	657,319	402,652	2,131,998
2013	1,067,695	644,757	372,549	2,085,001
2014-2018	5,583,181	2,998,368	1,262,413	9,843,962
2019-2023	9,198,450	2,050,026	407,317	11,655,793
2024-2028	3,955,000	524,375	521,025	5,000,400
2029-2030	491,984	-	126,008	617,992
Total	<u>\$ 24,163,952</u>	<u>\$ 8,928,107</u>	<u>\$ 4,396,048</u>	<u>\$ 37,488,107</u>

### Capital Leases

The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2007	\$ 147,468
Payments	59,610
Balance, July 1, 2008	<u>\$ 87,858</u>

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The capital leases have minimum lease payments as follows:

June 30,	Lease Payment
2009	\$ 44,536
2010	41,522
2011	1,800
Total	87,858
Less: Amount Representing Interest	5,332
Present Value of Minimum Lease Payment	\$ 82,526

### Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$237,706.

### NOTE 9 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 2,000	\$ -	\$ -	\$ 822	\$ 2,822
Stores inventory	31,569	-	-	22,302	53,871
Restricted programs	1,347,497	-	-	-	1,347,497
Total Reserved	1,381,066	-	-	23,124	1,404,190
Unreserved					
Designated					
Economic uncertainties	997,110	-	-	-	997,110
Board designated	991,443	-	-	-	991,443
Donation	18,169	-	-	-	18,169
Measure E bond	7,538	-	-	-	7,538
Deferred maintenance projects	-	-	-	118,477	118,477
Other designation	-	-	-	3,892	3,892
Total Designated	2,014,260	-	-	122,369	2,136,629
Undesignated	-	3,519,147	1,619,917	1,114,472	6,253,536
Total Unreserved	2,014,260	3,519,147	1,619,917	1,236,841	8,390,165
Total	\$ 3,395,326	\$ 3,519,147	\$ 1,619,917	\$ 1,259,965	\$ 9,794,355

# **FILLMORE UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

The District provides an annual cash payment of \$2,500 to offset the cost of postemployment health care benefits, in accordance with District contracts, to employees who retire from the District on or after attaining age 55 and meet certain other eligibility requirements. Retirees receive the payments for ten years or until they reach age 65, whichever comes first.

In order to qualify, certificated employees must have worked for a minimum of seven full-time equivalent years in the District and a minimum of ten years in education. In addition, the employee must be on one of the last three columns of the salary schedule at the time of retirement. Classified employees must have worked for a minimum of ten years in the District and must have received health benefits from the District for the three years preceding retirement.

At June 30, 2008, 28 retirees were participating in the program. During the year, expenditures of \$74,603 were incurred for cash payments to retirees.

In addition to the above-noted cash payments, the District is required by its contract with CalPERS to contribute a portion of retirees' premiums for those participating in the optional health care benefits program. During the year, 59 retirees participated in the program, and the District recognized costs of approximately \$19,795 for this purpose.

### **NOTE 11 - RISK MANAGEMENT**

#### **Description**

The District's risk management activities are recorded in the General Fund. Employee health programs are administered by the General Fund through payments made to Coastal Schools Employee Benefits Organization, a public entity risk pool. The Fillmore Unified School District also participates in the Ventura County Schools Self-Funding Authority public entity risk pool (JPA) for the workers' compensation, property and liability programs. Refer to Note 14 for additional information regarding the JPA's.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

The following is a summary of the insurance policies carried by the Fillmore Unified School District.

Insurance Program / Company Name	Type of Coverage	Limits
Ventura County Schools Self-Funding Authority	Workers' Compensation	Statutory
	Property	\$27 Million
	Excess Liability	\$15 Million
	Boiler and Machinery	\$50 Million
	Professional Liability	\$4 Million
	Earthquake and Flood	\$2 Million
	Public Employee Dishonesty	\$0.5 Million

### Employee Medical Benefits

The District has contracted with the Coastal Schools Employee Benefits Organization (CSEBO) to provide employee dental and vision benefits. CSEBO is a pool comprised of members in Ventura County. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

#### CalSTRS

##### Plan Description

The District contributes to CalSTRS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

# **FILLMORE UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$1,158,136, \$1,068,711, and \$1,002,119, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under CalPERS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$502,241, \$417,420, and \$372,162, respectively, and equal 100 percent of the required contributions for each year.

#### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan.

# FILLMORE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$634,095 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

#### Litigation

The District is not currently a party to any legal proceedings.

#### Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Fillmore High School		
Stadium track and field	\$ 784,351	11/30/08

# **FILLMORE UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

The District is a member of the Ventura County Schools Self-Funding Authority (VCSSFA) and the Coastal Schools Employee Benefits Organization (CSEBO) public entity risk pools. The District pays an annual premium to the applicable entity for its workers' compensation and property liability coverage and for its health and welfare benefits, respectively. The District also belongs to the Ventura County Fast Action School Transit Authority (VCFAST) joint powers authority (JPA). Payments for courier services are paid to VCFAST. The relationships between the District, the pools and the JPA are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2008, the District made payments of \$1,067,647, \$475,475, and \$3,302, to VCSSFA, CSEBO, and VCFAST, respectively.

### **NOTE 15 - SUBSEQUENT EVENTS – TAX AND REVENUE ANTICIPATION NOTES**

The District issued \$3,060,000 of Tax and Revenue Anticipation Notes dated July 6, 2008, through the California School Cash Reserve Program Authority. The notes mature on July 6, 2009, and yield 3.00 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning February 2009, until 100 percent of principal and interest due is on account in May 2009.



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*REQUIRED SUPPLEMENTARY INFORMATION*

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# FILLMORE UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 20,902,546	\$ 20,934,335	\$ 20,946,037	\$ 11,702
Federal sources	2,448,956	2,881,211	2,712,346	(168,865)
Other State sources	5,285,489	5,582,019	6,685,650	1,103,631
Other local sources	1,791,896	2,819,225	2,819,970	745
<b>Total Revenues <sup>1</sup></b>	<b>30,428,887</b>	<b>32,216,790</b>	<b>33,164,003</b>	<b>947,213</b>
<b>EXPENDITURES</b>				
Current				
Instruction	19,701,176	21,365,988	20,183,985	1,182,003
Instruction-related activities:				
Supervision of instruction	994,361	1,178,467	1,205,633	(27,166)
Instructional library, media, and technology	302,871	317,674	319,369	(1,695)
School site administration	2,248,473	2,225,183	2,276,865	(51,682)
Pupil services:				
Home-to-school transportation	526,069	532,958	526,057	6,901
All other pupil services	1,384,335	1,535,659	1,473,436	62,223
General administration:				
Data processing	420,962	533,185	525,660	7,525
All other general administration	1,606,072	1,873,728	1,912,366	(38,638)
Plant services	3,464,931	3,755,205	3,691,254	63,951
Facility acquisition and construction	90,000	123,882	121,129	2,753
Ancillary services	117,243	199,804	218,469	(18,665)
Community services	-	27,052	32,253	(5,201)
Other outgo	483,000	607,622	-	607,622
Debt service				
Principal	31,787	19,231	18,440	791
Interest	-	-	789	(789)
<b>Total Expenditures <sup>1</sup></b>	<b>31,371,280</b>	<b>34,295,638</b>	<b>32,505,705</b>	<b>1,789,933</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(942,393)</b>	<b>(2,078,848)</b>	<b>658,298</b>	<b>2,737,146</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(152,000)	(157,136)	(738,554)	(581,418)
Other uses	-	-	(626,845)	(626,845)
<b>Net Financing Sources (Uses)</b>	<b>(152,000)</b>	<b>(157,136)</b>	<b>(1,365,399)</b>	<b>(1,208,263)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,094,393)</b>	<b>(2,235,984)</b>	<b>(707,101)</b>	<b>1,528,883</b>
<b>Fund Balance - Beginning</b>	<b>4,102,427</b>	<b>4,102,427</b>	<b>4,102,427</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,008,034</b>	<b>\$ 1,866,443</b>	<b>\$ 3,395,326</b>	<b>\$ 1,528,883</b>

<sup>1</sup> On behalf payments of \$634,095 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

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*SUPPLEMENTARY INFORMATION*

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# FILLMORE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education:			
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	\$ 960,058
Title I, Part A - Non-Program Improvement LEAs with Program Improvement (PI) Schools	84.010	14880	60,000
Title I, Part C - Migrant Education, Regular Program	84.011	14326	348,104
Title I, Part C - Migrant Education, Summer Program	84.011	10005	78,878
Title I, Part C - Migrant Education, Even Start	84.214	14768	21,733
Title II, Part A - Improving Teacher Quality	84.367	14341	220,645
Title II, Part D - Enhancing Education Through Technology	84.318	14334	18,678
Title III - Immigrant Education Program	84.365	14346	9,085
Title III - Limited English Proficiency	84.365	10084	136,855
Title IV - Drug-Free Schools	84.186	14347	21,054
Title V, Part A - Innovative Education Strategies	84.298A	14354	17,613
Carl Perkins Vocational Educational Grants Secondary Education	84.048	13924	32,387
Passed through Ventura County SELPA:			
Individuals with Disabilities Education Act (IDEA)			
Local Assistance Entitlement	84.027	13379	567,223
Preschool Local Entitlement	84.027A	13682	32,432
Federal Preschool	84.173	13430	17,933
Total U.S. Department of Education			<u>2,542,678</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Education:			
Medi-Cal Billing Option	93.778	10013	16,714
Medi-Cal Administrative Activities	93.778	10060	132,362
Total U.S. Department of Health and Human Services			<u>149,076</u>

See accompanying note to supplementary information.

# FILLMORE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Especially Needy Breakfast Program	10.553	13526	\$ 205,989
National School Lunch Program	10.555	13523	882,151
Meal Supplement	10.555	13523	37,153
Food Distribution	10.555	13523	93,581
Passed through Ventura County Office of Education:			
Forest Reserve Fund	10.665	10044	19,490
Total U.S. Department of Agriculture			<u>1,238,364</u>
U.S. DEPARTMENT OF THE INTERIOR			
Passed through Ventura County Office of Education:			
Wildlife Reserve Fund	15.000	[1]	<u>1,409</u>
Total Federal Programs			<u><u>\$ 3,931,527</u></u>

[1] PCA number not available

See accompanying note to supplementary information.

# FILLMORE UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

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### ORGANIZATION

The Fillmore Unified School District was established in July 1967, and consists of an area comprising approximately 572 square miles. The District operates four elementary schools, one middle school, one comprehensive high school, and one continuation high school. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
David Dollar	President	December 2010
John Garnica	Vice President	December 2008
Liz Wilde	Clerk	December 2010
Virginia de la Piedra	Member	December 2008
Tony Prado	Member	December 2010

### ADMINISTRATION

Jeffrey Sweeney	Superintendent
Katherine Hadley	Assistant Superintendent, Educational Services
Evalene Townend	Assistant Superintendent, Human Resources/Student Support
Michael Bush	Assistant Superintendent, Business Services

See accompanying note to supplementary information.

# FILLMORE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

	Revised Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	285	287
First through third	845	847
Fourth through sixth	782	784
Seventh and eighth	573	571
Home and hospital	1	2
Special education	48	47
Total Elementary	2,534	2,538
SECONDARY		
Regular classes	1,019	1,010
Continuation education	53	53
Home and hospital	2	2
Special education	9	10
Total Secondary	1,083	1,075
Total K-12	3,617	3,613
		Hours of Attendance
SUMMER SCHOOL		
Elementary		30,725
High school		21,956
Total Hours		52,681

See accompanying note to supplementary information.

# FILLMORE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83	1986-87	2007-08	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	32,560	36,000	49,470	180	N/A	Complied
Grades 1 - 3	44,000	50,400				
Grade 1			50,760	180	N/A	Complied
Grade 2			50,760	180	N/A	Complied
Grade 3			50,760	180	N/A	Complied
Grades 4 - 6	52,800	54,000				
Grade 4			54,090	180	N/A	Complied
Grade 5			54,090	180	N/A	Complied
Grade 6			62,342	180	N/A	Complied
Grades 7 - 8	62,340	54,000				
Grade 7			62,342	180	N/A	Complied
Grade 8			62,342	180	N/A	Complied
Grades 9 - 12	54,560	54,800				
Grade 9			64,967	180	N/A	Complied
Grade 10			64,967	180	N/A	Complied
Grade 11			64,967	180	N/A	Complied
Grade 12			64,967	180	N/A	Complied

See accompanying note to supplementary information.



**FILLMORE UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2008.

See accompanying note to supplementary information.

# FILLMORE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 <sup>1</sup>	2008	2007	2006
GENERAL FUND				
Revenues	\$ 30,624,972	\$ 33,164,003	\$ 32,025,301	\$ 28,044,079
Other sources	-	-	-	48,709
Total Revenues and Other Sources	30,624,972	33,164,003	32,025,301	28,092,788
Expenditures	31,008,149	32,505,705	29,701,605	26,300,028
Other uses and transfers out	-	1,365,399	655,165	562,824
Total Expenditures and Other Uses	31,008,149	33,871,104	30,356,770	26,862,852
INCREASE (DECREASE) IN FUND BALANCE	\$ (383,177)	\$ (707,101)	\$ 1,668,531	\$ 1,229,936
ENDING FUND BALANCE	\$ 3,012,149	\$ 3,395,326	\$ 4,102,427	\$ 2,433,896
AVAILABLE RESERVES <sup>2</sup>	\$ 930,244	\$ 997,110	\$ 1,218,007	\$ 1,623,400
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	3.00%	3.00%	4.09%	6.17%
LONG-TERM OBLIGATIONS	N/A	\$ 24,679,451	\$ 24,814,911	\$ 24,891,290
K-12 AVERAGE DAILY ATTENDANCE AT P-2	3,654	3,617	3,532	3,612

The General Fund balance has increased by \$961,430 over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$383,177 (11 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2008-2009 fiscal year. Total long-term obligations have decreased by \$211,839 over the past two years.

Average daily attendance has increased by five over the past two years. Additional growth of 37 ADA is anticipated during fiscal year 2008-2009.

<sup>1</sup> Budget 2009 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all funds designated for economic uncertainty contained within the General Fund.

<sup>3</sup> On-behalf payments of \$634,095, \$603,421, and \$548,675 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2008, June 30, 2007, and June 30, 2006, respectively.

See accompanying note to supplementary information.

# FILLMORE UNIFIED SCHOOL DISTRICT

## EXCESS SICK LEAVE JUNE 30, 2008

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### Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Fillmore Unified School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

# **FILLMORE UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

#### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

#### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

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*SUPPLEMENTARY INFORMATION - UNAUDITED*

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# FILLMORE UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2008

	Cafeteria Fund	Deferred Maintenance Fund
<b>ASSETS</b>		
Deposits and investments	\$ 145,753	\$ 96,524
Receivables	235,802	6,783
Due from other funds	196	340,696
Stores inventories	22,302	-
<b>Total Assets</b>	<b>\$ 404,053</b>	<b>\$ 444,003</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 33,479	\$ 19,480
Due to other funds	343,558	306,046
<b>Total Liabilities</b>	<b>377,037</b>	<b>325,526</b>
<b>Fund Balances:</b>		
Reserved for:		
Revolving cash	822	-
Stores inventories	22,302	-
Unreserved:		
Designated	3,892	118,477
Undesignated, reported in:		
Capital projects funds	-	-
<b>Total Fund Balances</b>	<b>27,016</b>	<b>118,477</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 404,053</b>	<b>\$ 444,003</b>

See accompanying note to supplementary information - unaudited.

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Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
\$ 1,116,802	\$ 671,590	\$ 2,030,669
14,890	24,551	282,026
-	172,214	513,106
-	-	22,302
<u>\$ 1,131,692</u>	<u>\$ 868,355</u>	<u>\$ 2,848,103</u>
\$ 240	\$ 146,201	\$ 199,400
346,988	392,146	1,388,738
<u>347,228</u>	<u>538,347</u>	<u>1,588,138</u>
-	-	822
-	-	22,302
-	-	122,369
784,464	330,008	1,114,472
<u>784,464</u>	<u>330,008</u>	<u>1,259,965</u>
<u>\$ 1,131,692</u>	<u>\$ 868,355</u>	<u>\$ 2,848,103</u>

# FILLMORE UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Cafeteria Fund	Deferred Maintenance Fund
<b>REVENUES</b>		
Federal sources	\$ 1,218,874	\$ -
Other State sources	107,012	143,135
Other local sources	255,109	23,970
<b>Total Revenues</b>	<b>1,580,995</b>	<b>167,105</b>
<b>EXPENDITURES</b>		
Current		
Pupil services:		
Food services	1,725,234	-
Plant services	83	965,648
Facility acquisition and construction	-	375
Debt service		
Principal	-	-
Interest and other	-	-
<b>Total Expenditures</b>	<b>1,725,317</b>	<b>966,023</b>
<b>Excess (Deficiency) of</b>		
<b>Revenues Over Expenditures</b>	<b>(144,322)</b>	<b>(798,918)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	-	157,136
Transfers out	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>157,136</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(144,322)</b>	<b>(641,782)</b>
<b>Fund Balance - Beginning</b>	<b>171,338</b>	<b>760,259</b>
<b>Fund Balance - Ending</b>	<b>\$ 27,016</b>	<b>\$ 118,477</b>

See accompanying note to supplementary information - unaudited.



<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 1,218,874
-	-	250,147
246,230	94,796	620,105
<u>246,230</u>	<u>94,796</u>	<u>2,089,126</u>
-	-	1,725,234
1,339	-	967,070
159,615	1,413,455	1,573,445
35,568	-	35,568
5,954	-	5,954
<u>202,476</u>	<u>1,413,455</u>	<u>4,307,271</u>
43,754	(1,318,659)	(2,218,145)
-	-	157,136
(275,000)	(374,054)	(649,054)
(275,000)	(374,054)	(491,918)
(231,246)	(1,692,713)	(2,710,063)
1,015,710	2,022,721	3,970,028
<u>\$ 784,464</u>	<u>\$ 330,008</u>	<u>\$ 1,259,965</u>

# FILLMORE UNIFIED SCHOOL DISTRICT

## GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES OF FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

(Dollar amounts in thousands, excluding Revenue Limit Per ADA)	Actual Results for the Years					
	2007-2008		2006-2007		2005-2006	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 2,712	8.2	\$ 2,346	7.3	\$ 2,222	7.9
State and local revenue included in revenue limit	20,946	63.2	20,231	63.2	19,030	67.9
Other State revenue	6,686	20.2	6,961	21.7	4,564	16.3
Other local revenue	1,277	3.8	569	1.8	820	2.9
Tuition and transfers in	1,543	4.6	1,918	6.0	1,408	5.0
Total Revenues	<u>33,164</u>	<u>100.0</u>	<u>32,025</u>	<u>100.0</u>	<u>28,044</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	14,776	44.6	13,919	43.5	12,663	45.2
Classified salaries	4,868	14.7	4,194	13.1	3,752	13.4
Employee benefits	7,145	21.5	6,605	20.6	5,547	19.8
Total Salaries and Benefits	26,789	80.8	24,718	77.2	21,962	78.4
Books and supplies	2,387	7.2	1,708	5.3	1,226	4.4
Contracts and operating expenses	3,087	9.3	2,731	8.5	2,465	8.8
Capital outlay	223	0.6	576	1.8	217	0.8
Other outgo	20	0.1	(31)	(0.1)	430	1.5
Total Expenditures	<u>32,506</u>	<u>98.0</u>	<u>29,702</u>	<u>92.7</u>	<u>26,300</u>	<u>93.9</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	658	2.0	2,323	7.3	1,744	6.1
<b>OTHER FINANCING USES</b>						
Net of other uses	<u>(1,365)</u>	<u>(4.1)</u>	<u>(655)</u>	<u>(0.6)</u>	<u>(514)</u>	<u>(1.8)</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>(707)</u>	<u>(2.1)</u>	<u>1,668</u>	<u>6.7</u>	<u>1,230</u>	<u>4.3</u>
<b>FUND BALANCE, BEGINNING</b>	<u>4,102</u>		<u>2,434</u>		<u>1,204</u>	
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,395</u>		<u>\$ 4,102</u>		<u>\$ 2,434</u>	
<b>BASE REVENUE LIMIT PER ADA</b>						
Regular	<u>\$ 5,770</u>		<u>\$ 5,518</u>		<u>\$ 5,126</u>	

See accompanying note to supplementary information - unaudited.

# **FILLMORE UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

#### **General Fund Selected Financial Information - Unaudited**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

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*INDEPENDENT AUDITORS' REPORTS*

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Fillmore Unified School District  
Fillmore, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fillmore Unified School District as of and for the year ended June 30, 2008, which collectively comprise Fillmore Unified School District's basic financial statements and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fillmore Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fillmore Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fillmore Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses (2008-1) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fillmore Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Fillmore Unified School District in a separate letter dated December 1, 2008.

Fillmore Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Fillmore Unified School District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 1, 2008





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Fillmore Unified School District  
Fillmore, California

**Compliance**

We have audited the compliance of Fillmore Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Fillmore Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Fillmore Unified School District's management. Our responsibility is to express an opinion on Fillmore Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Fillmore Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Fillmore Unified School District's compliance with those requirements.

In our opinion, Fillmore Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

## Internal Control Over Compliance

The management of Fillmore Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Fillmore Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fillmore Unified School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Fillmore Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Fillmore Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vasinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 1, 2008



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Fillmore Unified School District  
Fillmore, California

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fillmore Unified School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Fillmore Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Fillmore Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	No, See Below
Continuation education	10	Yes
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable

	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for Independent Study because the program did not generate average daily attendance to require testing.

Based on our audit, we found that for the items tested, the Fillmore Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Fillmore Unified School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Fillmore Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Varinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 1, 2008

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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# FILLMORE UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Basic Grants Low Income</u>
	<u>and Neglected</u>
<u>84.010</u>	<u>Title I, Part A - Non-Program Improvement LEAs</u>
	<u>with Program Improvement Schools</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

### STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

# FILLMORE UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

### *INTERNAL CONTROLS*

#### *Bank Accounts*

2008-1    30000

#### **Finding**

Student body accounts currently have on deposit in excess of \$350,000 at Santa Clara Valley Bank. The District does not currently have in place collateralization agreements with the bank.

#### **Recommendation**

Since deposits are in excess of the FDIC insurance limit of \$100,000, the District should obtain a collateralization agreement with the bank to protect student body funds.

#### **District Response**

State law requires Santa Clara Valley Bank to collateralize public funds. The District will obtain a letter from Santa Clara Valley Bank acknowledging their legal obligation.

# FILLMORE UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2008-2      50000

### **Federal Programs**

Title: Child Nutrition Cluster

CFDA: 10.553, 10.555

Pass-Through Agency: California Department of Education

Federal Agency: U.S. Department of Agriculture

Title: Title I, Part A – Basic Grants Low Income and Neglected and Title I, Part A – Non-Program Improvement LEAs with Program Improvement Schools

CFDA: 84.010

Pass-Through Agency: California Department of Education

Federal Agency: U.S. Department of Education

### **Criteria or Specific Requirements**

Internal Controls: Procurement and Suspension and Debarment

The District is prohibited from contracting with or making sub-awards to parties that are suspended or debarred or whose principals are suspended or debarred. When the District enters into such a transaction for goods and services that are expected to equal or exceed \$25,000 with an entity, the District must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (<http://epls.arnet.gov>), collecting a certification from the entity, or adding a clause or condition to the transaction with that entity.

### **Condition**

Per inquiry with the program director and account technician, it appears that there is a lack of procedure to ensure that the District is not contracting with vendors that have been Federally suspended or debarred. As a result, the District has no knowledge of whether or not they are contracting with Federally excluded vendors.

### **Questioned Costs**

We verified all vendors the program had expenditures equal to or exceeded \$25,000 were not included in the "Excluded Parties List System". Therefore, no questioned costs related to this compliance requirement were assigned.

## **FILLMORE UNIFIED SCHOOL DISTRICT**

### **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **Consequences**

With a lack of control activities to ensure compliance over the procurement and suspension and debarment requirement, the District does not have the ability to monitor whether or not they are contracting with suspended or debarred parties. This would potentially lead to the District contracting with and purchasing from excluded and debarred parties. Through compliance testing over this requirement, it was determined that the District appears to be in compliance despite the lack of any such control activities.

#### **Recommendation**

Since we have determined that there currently is no verification process, we recommend delegating the task of verifying vendors to the purchasing department. The District should be cognizant of the requirement and ensure that a verification process is taking place for all vendors that are subject to this requirement.

#### **District Response**

The Business Office will verify all vendors prior to signing contracts equal to or exceeding \$25,000 by checking the Excluded Parties List System website.

# FILLMORE UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

*After School Safety and Education Program (ASES) - Attendance Records and Reporting*

2008-3      40000

### Criteria or Specific Requirement

Compliance requirements mandate that schools maintain adequate source documents supporting the number of students served by the program as reported semiannually to the California Department of Education. Additionally, adequate documentation must be maintained which supports attendance participation consistent with early release policies.

### Questioned Costs

No questioned costs associated with this finding.

### Condition

The following conditions were found per review of the after school program documentation:

- Per review of the attendance sign in/sign out sheet, the client was unable to provide sign in/sign out sheets for three of their five after school programs for a majority of the first half of the year (*Mountain Vista Elementary, San Cayetano Elementary, and Piru Elementary*).
- Per review of the attendance source documents, the client was also unable to provide monthly summaries for all five of their after school programs from July 1, 2007-December 31, 2007. Additionally, one of the after school programs was unable to provide a monthly summary for students attending the program (*San Cayetano Elementary*).
- Per review of the early release policy, we noted that one of the five required elements was not addressed in the documentation. The document lacked the consequences for unauthorized instances or unacceptable pattern of unauthorized early program departures.
- Per review of after school program sign-in and sign-out sheets at Fillmore Middle School, we noted many instances where neither the students nor the parents were participating in the sign in/sign out process. In most instances, the after school program personnel were signing the students in and out of the program.
- Per review of attendance source documents for three of the five after school programs, we noted numerous instances where students had signed in, but were not signed out, and vice versa. Additionally, source documents do not consistently note the actual time when students are signing out from the program.
- Per review of the attendance source documents, we recalculated the daily program attendance at Fillmore Middle School for the month of May and compared it to the program's monthly summary. The summary recorded 1,022 students participating in the program, while the attendance documentation only verified a total of 644 students participating in the program.

## **FILLMORE UNIFIED SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **Effect**

The District may be incorrectly reporting the number of students participating and/or not meeting after school minimal attendance requirements of the program.

#### **Cause**

The District did not appear to maintain adequate source documents supporting the number of students served by the program as reported semiannually to the California Department of Education. Additionally, adequate documentation was not maintained which supported attendance participation consistent with early release policies.

#### **Recommendation**

Personnel overseeing the program have changed since the 2007-2008 school year and it appears attendance procedures have been improved for the subsequent fiscal year in regards to maintaining auditable attendance records. However, the District should still review and revise procedures used to take attendance and emphasize the importance of maintaining and completing auditable attendance records to all personnel involved with this function. Additionally, we recommend that the District modify attendance sign-in and sign-out sheets to include a space to document the reason for early release from the program, as well as a space for the student's sign in and sign out time. The District early release policy should also include the consequences for unauthorized instances or unacceptable pattern of unauthorized early program departures.

#### **District Response**

Since the 2007-2008 school year, the District has improved it's oversight of attendance procedures. The District will continue to review and revise attendance procedures to ensure adequate and auditable records are maintained.

# FILLMORE UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *Financial Statement Findings*

#### *Capital Assets*

2007-1     30000

#### **Finding**

In order to include all District assets in the government-wide financial statements in accordance with the requirements of the Government Accounting Standards Board Statement No. 34, the District must track all capital assets purchased and all capital outlay projects during the fiscal year. The cost of the assets is amortized over the life of the assets in the form of depreciation in the government-wide financial statements.

Prior to the final audit date, the District had not posted additions to the capital asset accounts, determined if any projects included in the beginning balance of Construction in Process were completed, or removed the records of any disposed of assets from the records during the 2006-2007 fiscal year.

#### **Recommendation**

Capital asset accounts should be maintained on an on-going basis and the records should be finalized as part of the year-end closing process.

#### **Current Status**

Implemented.

#### *Payroll and Personnel*

2007-2     30000

#### **Finding**

Due to a weakness in the payroll and personnel system, payroll department personnel who are given access to process payroll in the payroll module of Escape may also be able to enter employee pay rates in the personnel module of Escape.

# FILLMORE UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### **Recommendation**

In order to remedy this problem, the District should either assign the task of establishing pay rates in the personnel module to the personnel department alone and ensure that system security procedures are in place to prevent payroll employees from changing pay rates in the system or develop a detailed monitoring process to ensure that all changes to pay rates are authorized. The payroll system generates a report noting any changes made to employee information, including pay rates. An employee independent of the payroll department should review this report, noting any changes posted to the system.

### **Current Status**

Implemented.

### ***Bank Accounts***

2007-3      30000

### **Finding**

Student body accounts currently have on deposit in excess of \$300,000 at Santa Clara Valley Bank. The District does not currently have in place collateralization agreements with the bank.

### **Recommendation**

Since deposits are in excess of the FDIC insurance limit of \$100,000, the District should obtain a collateralization agreement with the bank to protect student body funds.

### **Current Status**

Not implemented. See current year finding 2008-1.

### ***State Awards Findings***

#### ***Fillmore Community Continuation High School Attendance***

2007-4      10000

### **Findings**

The District was not in compliance with State requirements for continuation education attendance reporting during the first semester of the 2006-2007 school year. We noted the following exceptions:

1. Hourly attendance was not taken at the site. Teacher took attendance for the entire day once within the first 30 minutes of class.
2. Attendance is credited for more than scheduled class time. The system claimed a total of 30 extra minutes for the school day (45 minutes for fourth period that students do not attend less 15 minutes of passing time not claimed).



## **FILLMORE UNIFIED SCHOOL DISTRICT**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008**

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3. We noted seven instances where absences were not correctly being recorded in the attendance system. The students were marked present per the detail report but they were actually absent per the attendance sheet.
4. The daily attendance sheets were not certified by a credentialed employee as to their accuracy.

Subsequent to the interim audit, District staff recalculated student attendance using the following guidelines:

1. District staff used contemporaneous teacher attendance records, not information recorded in the system.
2. Since attendance was recorded only at the beginning of the school day, only one hour of attendance was counted for each student present each day during the first semester.
3. Using manually prepared records, excess hours generated during the second semester were carried back to first semester days (all of which had only one hour of attendance reported for each student present).

An audit of the restatement of first semester attendance, of the carry back calculations, and of the second semester attendance records resulted in no discrepancies. Overall, the restatement resulted in a reduction of 12.85 average daily attendance for the second period and 10.73 for the annual period for the continuation high school program.

#### **Recommendation**

The District must restate the Second Period and Annual Attendance Reports for the 2006-2007 fiscal year to exclude the average daily attendance disallowed due to the non-compliance. The recalculated average daily attendance for the continuation high school program are 24.28 and 26.40 for the second and annual periods, respectively.

#### **Current Status**

Implemented.

# FILLMORE UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### *Instructional Materials Funding Realignment Program (IMFRP)*

2007-5     70000

#### **Findings**

The District has not complied with the California Education Code Section 60119 and Section 60422 requirements regarding the Instructional Materials Realignment Program.

California Education Code Sections 60119 and 60422 state that school districts receiving funds for instructional materials from any State source are required to hold a public hearing regarding sufficiency of such material on or before the end of the eighth week from the first day pupils attended school for that year. After the public hearing, the governing board must pass a resolution that each student has or will have sufficient textbooks or instructional materials, or both, in each of the four core subjects, if this is the case. If the resolution states that the District has not provided students with sufficient instructional material in the four core subjects, it must include a timeline for the provision of such materials within the guidelines of Education Code Section 60119. The District must also specifically include in the resolution whether or not students will have sufficient instructional materials in the following subjects: foreign language, health, and laboratory science. However, sufficiency in these areas is not required prior to the expenditure of these funds.

In addition, the District's board is required to certify whether or not students had sufficient textbooks or instructional materials, consistent with the content and cycles of the curriculum framework adopted by the State board, in mathematics, science, history-social science, and English/language arts including the English language development component of an adopted program, and that for Grades 9 to 12, were adopted by the local governing board. Once the District has certified that these requirements have been met, the District may use the funds to purchase instructional materials in other subject matters, including the arts, foreign language, and health.

The District held their public hearing regarding the sufficiency of instructional materials after the eighth week of the start of school. The hearing was held during the tenth week. The first day of school was on August 14, 2006, while the public hearing and Board Resolution was held on October 23, 2006. Total funding awarded for the 2006-07 fiscal year amounted to \$262,169.

#### **Recommendation**

As required by Education Code Section 60422, the District must hold a public hearing regarding sufficiency of instructional material and the governing board must certify that each pupil has been provided with a standards-aligned textbook or basic instructional material in the core curriculum areas prior to the eighth week of school. We recommend that the District request a waiver from any assessable penalties that may be imposed.

#### **Current Status**

Implemented.

# FILLMORE UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### *Instructional Minutes*

2007-6      40000

### **Finding**

School districts receiving funding for Longer Instructional Day incentives are required to offer a minimum number of days of instruction and instructional minutes in order to comply with the Education Code. The minutes requirements vary by grade level.

District personnel did not monitor instructional minutes offered by the sites during the 2006-07 school year. No deficiencies in instructional days or minutes offered were noted as a result of testing.

### **Recommendation**

Prior to the beginning of each school year, all bell schedules and student attendance calendars for each site should be obtained by District Office personnel. The appointed employee should review each site, program, and grade level to ensure compliance with longer day and longer year requirements.

### **Current Status**

Implemented.

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Governing Board  
Fillmore Unified School District  
Fillmore, California

In planning and performing our audit of the basic financial statements of Fillmore Unified School District for the year ending June 30, 2008, we considered its internal control structure in order to determine out auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted a matter that is an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 1, 2008, on the basic financial statements of Fillmore Unified School District.

#### *INTERNAL CONTROL*

*Title I, Part A – Basic Grants and Title I, Part A – Non-Program Improvement LEAs with Program Improvement Schools – Cash Management*

#### Finding

Recipients of advances on Federal program awards must establish procedures to minimize the time between receipt of these program funds and disbursement of these funds, and to monitor interest earned on unspent funds. For programs that are advance funded, there are requirements to remit interest earned on advances to the Federal government. It does not appear the District monitors the amount of interest earned on unspent programs funds. Specifically, the District did not determine whether interest earned on the program funds exceeds the Federal benchmarked amount of \$250, of which \$100 per year may be kept for administrative expenses. Audit procedures performed on unspent funds, using County provided quarterly program interest for the year, resulted in an estimate of approximately \$2,110 in interest earnings. The estimated interest earnings of \$2,110 is not considered to be both direct and material to the Federal program, and accordingly is not reported as a Federal Awards Finding and Questioned Cost in the supplemental section of the audit report.

#### Recommendation

We recommend the District monitor the program's cash balance. The District should use the amount of interest provided by the Ventura County Treasury. Currently, the calculated interest earned exceeds this threshold and the District should remit the excess interest prior to year-end.

*Disbursements – Circumventing Disbursement Controls for Reimbursements*

Finding

Per review of expenditures recorded under the Migrant Education Program (Resource 3060) and the CBET (Resource 6285), we noted that there are several personal reimbursements for program activities and it appears that the District's disbursement controls are being by-passed. Specifically, we noted that reimbursement transactions frequently taking place under the program's object code 4300 are taking place prior to budgetary approvals given.

Recommendation

The District should ensure that all disbursement transactions adhere to the District's controls. Specifically, the District should discourage and minimize reimbursement types of transactions since many reimbursement transactions take place prior to budgetary approvals taking place. Budgetary reviews should occur prior to expenditure transaction taking place to ensure that sufficient funds are available and also to ensure the nature of disbursements is allowable.

*Cash Receipt – Clearing Account Transactions*

Finding

Sites send the cash summary report along with the actual cash, but sites are currently not remitting supporting receipts. Without supporting receipts, the District does not have the ability to reconcile the amount of cash received and determine if amount remitted is intact.

Recommendation

The District should develop standardized receipting procedures for all sites and departments and enforce the procedure constantly. The receipting procedures should incorporate the use of receipts for all cash collections, the inclusion of receipts along with deposited monies and cash summary report, and a standardized remittance procedure documenting the frequency of remittance to the District.

*ASSOCIATED STUDENT BODIES (ASB)*

*Fillmore High School*

*Trust Account Balances*

Finding

Per review of the March balance sheet, there were four trust accounts with deficit balances. The Hiking Club had a balance of (\$45), the Dugout Club had a balance of (\$4,106), the Pep Squad had a balance of (\$15,872) and Harriers Club had a balance of (\$114).

Recommendation

All expenditures, prior to the items being purchased, should be approved by the student council to ensure that the proper funding is available. This will ensure that deficit spending is not performed, and that items being purchased have been approved by the students.

*Stale-Dated Checks*

Finding

The bank reconciliation selected for testing contained seven stale-dated checks totaling \$358.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

*Expenditure Approval*

Finding

Seven of the 23 expenditures selected for testing were missing at least one of the three pre-approval signatures that are required for all disbursements.

Recommendation

The site should ensure that all three signatures, including a District representative, a student representative and an advisor, are present as required pursuant to California Educational Code Section 48933(5)(b) on all disbursements from a student body account.

*Purchase Request*

Finding

One of the 23 expenditures selected for testing was missing the purchase request form that is required for all ASB expenditures.

Recommendation

The site should ensure that all ASB expenditures are first initiated and approved with a purchase request form. This form should be stapled to all other supporting documentation for a disbursement such as the invoice, packing slip, minute approval or any other documentation that pertains to the expenditure.

*Receipting*

Finding

Sub-receipt books are not being used by the teachers and advisors for monies collected.

Recommendation

To help ensure that all monies collected by teachers and advisors are deposited, all monies should be receipted and copies of receipts should accompany the deposit forwarded to the bookkeeper. The bookkeeper should verify that the sub-receipts are in chronological and numeric order and that the receipts equal to the amount received. The bookkeeper should then issue a receipt back to the teacher or advisor verifying monies received.

We will review the status of the current year comments during our next audit engagement.

Vavnick, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 1, 2008